Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of Petition for Clarification or, in the Alternative, Waiver of Section 54.514(a) of the Commission's Rules by	
AT&T Corp.	DA-07-1272
Schools and Libraries Universal Service Support Mechanism	CC Docket No. 02-6

Petition for Reconsideration

I am petitioning the FCC to reconsider its Order of March 13, 2007[1], allowing AT&T to continue to use its "AT&T Reimbursement Form" (ARF) in lieu of discounting.

I am the President of On-Tech Consulting, Inc., an E-Rate consulting firm. I have been involved in the E-Rate program since the outset, as an applicant, a trainer and a consultant. Currently, over 30 of On-Tech's clients have funding requests associated with AT&T.

I oppose the ARF system for three reasons: 1) the burden that the ARF places on applicants is greater than the burden that discounting bills places on AT&T; 2) applicants will be forced to pay the full amount of the bill; and 3) it creates a new opportunity for abuse.

AT&T asserts that discounting bills would create a hardship by forcing a $3 million upgrade to their accounting system. For the 2005-2006 funding year alone, AT&T was the service provider for approximately 5,000 funding requests with a value of $35 million. If the various SBC and BellSouth companies are included, the total is 15,000 requests for $380 million. (Note that these numbers do not include Internal Connections requests.) Filing monthly for each of those 15,000 requests would mean 180,000 individual line items each year. Each month, each line item requires: 1) reviewing associated bill(s), 2) calculating the eligible charges, 3) filing the ARF online, and 4) processing the check received from AT&T. Using a conservative estimate of $10 per funding request per month to cover the cost of staff time to complete the steps listed, the annual cost to applicants would be $1.8 million dollars. AT&T's one-time cost of $3 million would be much less of a burden.

AT&T's claim that applicants will be able to receive a reimbursement check before paying their bill is unrealistic. AT&T allows its customers 25 days from the billing date to receive payment. An optimistic scenario would have the bill arrive at the applicant's accounts payable office 2 days after the billing date. It should reach the applicant's E-Rate person one day after that. Assuming the person responsible for E-Rate is able to drop everything and review the bill, and

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there are no unclear charges on the bill, it should be possible to submit a request to the ARF system in one day. After the ARF request is submitted, AT&T should be able to generate and submit a SPI in one day. USAC may be able to process the invoice in 7 days. Once the payment is received by AT&T, if their systems are very good, it might take only 1 day for a check to get in the mail. The check should arrive at the district in 2 days. Deposits are not done every day, so it might take an average of 3 days for the check to reach the bank. Since it is an out-of-town check, it will clear in 7 days. If the applicant is able to cut a check on the day that funds become available, AT&T should receive it in 2 days. In this ideal scenario, it takes 27 days from the billing date before the bill is paid. A more realistic estimate of the time required would be 30-50 days. Clearly, applicants will not have the reimbursement funds available before AT&T's 25-day deadline for payment has expired.

Finally, the ARF system allows AT&T to send an undiscounted invoice to the applicant and submit a Service Provider Invoice Form (Form 474) for the discount amount to USAC. This practice violates USAC rules[2] and the Form 474 instructions.[3] If the ARF system is allowable under program rules, then other service providers will want to be allowed to send out an undiscounted bill to applicants and a Form 474 to USAC simultaneously. Unlike the Form 472 (BEAR), the Form 474 does not require the service provider to certify that payment from USAC will be returned to the applicant within 10 days, so there is no limit on the amount of time that a service provider may hold onto applicant funds after reimbursement is received from USAC. Because the Form 474 was only designed to be used with discounted bills, allowing its use with undiscounted bills opens up new possibilities for abuse.

I ask that the Commission reconsider Order DA-07-1272, and rescind the approval of the ARF system. In the alternative, I request that the Commission add the following clarifications to protect applicants and combat abuse:

1. AT&T is the only service provider allowed to submit undiscounted bills to applicants and a Form 474 to USAC. The SBC and BellSouth divisions of AT&T must adhere to the same rules as all other service providers, and submit Forms 474 only after submitting discounted invoices.
2. AT&T will send a check to applicants within 10 days of receiving a request through the ARF system.
3. AT&T will not charge late fees to applicants using the ARF system.

Respectfully submitted,

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[2]www.universalservice.org/sl/providers/step09/: "Service providers may submit Form 474 to USAC seeking payment for services…After the service provider has provided a discounted bill to the billed entity."

[3]www.universalservice.org/_res/documents/sl/pdf/474i.pdf: "The service provider may file the Service Provider Invoice Form seeking reimbursement of discounts provided pursuant to an approved FRN upon the occurrence of all of the following conditions: …(2) upon providing discounted, eligible services to an eligible school, school district, library, library consortium or consortium of multiple entities…."